

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Development Services Department	DATE: 02/19/2013
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SUBJECT: Land Development Code Amendments related to Microbreweries

PRIMARY CONTACT (NAME, PHONE): Amanda Lee,(619) 446-5367 MS 501	SECONDARY CONTACT (NAME, PHONE): Russ Gibbon, (619) 236-6350 MS 56D
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COMPLETE FOR ACCOUNTING PURPOSES

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): Costs associated with implementation of the proposed amendments will be covered by project applicants. The establishment of large breweries within the City will generate net new sales tax and property tax revenues for the City's General Fund.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Westlake, Mike	2/19/2013
Financial Management	CFO		
Liaison Office	DEPUTY CHIEF		
	COO		
	CITY ATTORNEY	Neuffer, Corrine	
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

Introduce and Adopt an ordinance amending Land Development Code Chapt 13, Article 1 relating to accessory eating and drinking establishments associated with light manufacturing beverage production development in

industrial zones	
STAFF RECOMMENDATIONS: Approve requested action.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All
COMMUNITY AREA(S):	All
ENVIRONMENTAL IMPACT:	An Environmental Impact Report (EIR) No. 96-0333 was prepared and certified for the original project (adoption of the Land Development Code). The proposed amendment to the Land Development Code was reviewed by the Environmental Analysis Section and it was determined that, in accordance with the California Environmental Quality Act (CEQA) Guidelines Section 15162(a): (1) no substantial changes are proposed to the project which would require major revisions of the previous EIR; (2) no substantial changes occur with respect to the circumstances under which the project is undertaken that would require any revisions to the previous EIR; and (3) there is no new information of substantial importance that was not known and could not have been known at the time the previous EIR was certified. Therefore, no subsequent environmental document is needed for this action.
CITY CLERK INSTRUCTIONS:	This is a noticed public hearing item that requires published notice of an eighth page ad and mailed notice to the city always and local coastal always lists. Two hearings will be required, including a first reading hearing to introduce the ordinance and a second reading hearing to adopt the ordinance two weeks later. This ordinance is subject to Mayor's veto.

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 02/19/2013

ORIGINATING DEPARTMENT: Development Services Department

SUBJECT: Land Development Code Amendments related to Microbreweries

COUNCIL DISTRICT(S): All

CONTACT/PHONE NUMBER: Amanda Lee/(619) 446-5367 MS 501

DESCRIPTIVE SUMMARY OF ITEM:

A request for approval of amendments to the Land Development Code to allow for manufacturers of malt beverages or distilled spirits, of at least 12,000 square feet in size, to have an accessory restaurant or tasting room that is greater than 3,000 square feet in gross floor area. The proposed amendment is an important regulatory reform measure that will help support the growth of this base sector manufacturing industry and contribute towards economic growth within the City.

STAFF RECOMMENDATION:

Approve requested action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND: Craft beer manufacturing is an important base sector industry cluster as noted in the City's Draft Economic Development Strategy. The resulting economic activity from craft beer manufacturing generates additional jobs in wholesale, retail, and various service sectors at a ratio of 5.7:1, thus generating significant economic benefits to the City as a whole. In addition, the sale of prepared food and craft beer for consumption on site generates net new sales tax revenue for the City's General Fund.

Microbreweries are classified as a light manufacturing use, and are permitted in most industrial zones including the light industrial, heavy industrial, small lot industrial, and some industrial park zones (IP-2-1). Currently, restaurants are limited in most industrial zones to a maximum of 3,000 square feet in gross floor area, a limitation which could inhibit the growth of this industry within the City. The larger craft beer manufacturers are adding full-service restaurants to new or expanded breweries in order to introduce more customers to their products manufactured on the same premises. The addition of a restaurant component to a large beer manufacturing plant (aka "brewery"), which is at least four times that size, is a reasonable accommodation to support the growth of this manufacturing industry. The allowable size for this type of accessory restaurant or tasting room is a key factor that is considered during the site selection process by beverage manufacturers.

In order to benefit only bona fide craft beer and spirits production facilities and avoid creating a loophole for restaurants with limited on-site manufacturing production, the proposed allowance (for a restaurant larger than the existing industrial zone limit) would be applicable only to manufacturers at least 12,000 square feet in size. In addition, the accessory restaurant or tasting room would be limited to a maximum of 25 percent of the floor area dedicated to manufacturing.

Other stand alone restaurants and brew pubs would continue to be allowed as a primary use in all commercial zones and in most industrial zones, but would not be allowed to exceed the size limit in industrial zones, unless developed accessory to a beverage manufacturer. State law requirements for alcoholic beverage licensing will continue to apply to all establishments serving alcohol. The amendment is consistent with adopted General Plan policies in the Economic Prosperity Element in support of base sector industrial uses and a diversified local economy.

FISCAL CONSIDERATIONS: Costs associated with implementation of the proposed amendments will be covered by project applicants. The establishment of large breweries within the City will generate net new sales tax and property tax revenues for the City's General Fund.

EQUAL OPPORTUNITY CONTRACTING INFORMATION: This action does not authorize entering into any contract or agreement.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: This item is scheduled for the LU&H Council Committee on April 24.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed ordinance is being processed through the typical code amendment process, which involves review and input from the Technical Advisory Committee (TAC), Code Monitoring Team (CMT), Community Planners Committee (CPC), and Planning Commission, prior to City Council. Recommendations for approval were provided on March 13, 2013, by TAC (9-0 vote) and CMT (9-0 vote); and by CPC on March 26, 2013 (vote 29-0-1). On April 11, 2013, the Planning Commission unanimously recommended approval of the ordinance (5-0 vote).

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Stakeholders include manufacturers of beer and spirits and consumers. Staff is aware of at least two craft beer manufacturers that are actively seeking sites in the region, and are reportedly evaluating sites outside the City of San Diego due to the limited number of industrial sites and buildings at feasible prices within the City.

Westlake, Mike

Originating Department

Deputy Chief/Chief Operating Officer



THE CITY OF SAN DIEGO
REPORT TO THE PLANNING COMMISSION

DATE ISSUED: April 3, 2013 **REPORT NO. PC-13-028**
ATTENTION: Planning Commission, Agenda of April 11
SUBJECT: LAND DEVELOPMENT CODE AMENDMENTS RELATED TO MICROBREWERIES

SUMMARY

Issue: Should the Planning Commission recommend approval to the City Council of the proposed amendments to the Land Development Code and Local Coastal Program to allow for beverage manufacturers of at least 12,000 square feet in size to have an accessory restaurant or tasting room that is greater than 3,000 square feet in gross floor area?

Staff Recommendation: Recommend approval to the City Council.

Environmental Review: An Environmental Impact Report (EIR) No. 96-0333 was prepared and certified for the original project (adoption of the Land Development Code). The proposed amendment to the Land Development Code was reviewed by the Environmental Analysis Section and it was determined that, in accordance with the California Environmental Quality Act (CEQA) Guidelines Section 15162(a): (1) no substantial changes are proposed to the project which would require major revisions of the previous EIR; (2) no substantial changes occur with respect to the circumstances under which the project is undertaken that would require any revisions to the previous EIR; and (3) there is no new information of substantial importance that was not known and could not have been known at the time the previous EIR was certified. Therefore, no subsequent environmental document is needed for this action.

Fiscal Impact Statement: Costs associated with implementation of these regulations in the future will be covered by project applicants.

Code Enforcement Impact: No associated impact to neighborhood code enforcement is anticipated. The restaurants and tasting rooms covered by the ordinance would be located only in industrial zones and must be incidental and subordinate to a primary beverage manufacturing component at least 12,000 square feet in size.

Housing Impact Statement: Not applicable

BACKGROUND

Craft beer manufacturing is an important base sector industry cluster as noted in the City's Draft Economic Development Strategy. The resulting economic activity from beer manufacturing generates additional jobs in wholesale, retail, and various service sectors at a ratio of 5.7:1, thus generating significant economic benefits to the City as a whole. In addition, the sale of prepared food and craft beer for consumption on site generates net new sales tax revenue for the City's general fund.

Staff is aware of at least two craft beer manufacturers that are actively seeking sites in the region, and are reportedly evaluating sites outside the City of San Diego due to the limited number of industrial sites and buildings at feasible prices within the City. Staff understands that the allowable size for an accessory restaurant or tasting room is a key factor that is considered during the site selection process by beverage manufacturers, and that the larger craft beer manufacturers are seeking sites in industrial zones that can accommodate new or expanded breweries with full-service restaurants in order to introduce more customers to their products that are manufactured on the same premises. The proposed code amendment will allow for manufacturers of malt beverages or distilled spirits of at least 12,000 square feet in size to have an accessory restaurant or tasting room that is greater than 3,000 square feet in gross floor area.

The proposed amendment is being processed in accordance with the typical code update process, which involves review and input from the Code Monitoring Team, Community Planners Committee, Technical Advisory Committee, Planning Commission, City Council, California Coastal Commission, and San Diego County Regional Airport Authority. A request for public input was posted on the City webpage and distributed via e-mail (February 21) to community planning chairs, planning group members, interested members of the public and environmental agencies. Recommendations in support were provided as follows:

Code Monitoring Team (CMT): On March 13, 2013, the Code Monitoring Team voted to recommend approval of the proposed ordinance (vote 9-0).

Technical Advisory Committee (TAC): On March 13, 2013, the Technical Advisory Committee voted to recommend approval of the proposed ordinance (vote 9-0).

Community Planners Committee (CPC): On March 26, 2013, the Community Planners Committee voted to recommend approval of the proposed ordinance (vote 29-0-1).

DISCUSSION

Microbreweries are classified as a light manufacturing use, and are permitted in most industrial zones including the light industrial, heavy industrial, small lot industrial, and some industrial park zones (IP-2-1). Currently, restaurants are limited to a maximum of 1,000 square feet in small lot industrial zones, and to a maximum of 3,000 square feet in all other industrial zones, which is inhibiting growth of the craft beer manufacturing industry within the City.

In order to benefit only bona fide craft beer and spirits production facilities and avoid creating a loophole for restaurants with limited on-site manufacturing production, the proposed allowance (for a restaurant larger than the existing industrial zone limit) would be applicable only to manufacturers at least 12,000 square feet in size. In addition, the accessory restaurant or tasting room would be limited to a maximum of 25 percent of the floor area dedicated to manufacturing.

Other stand alone restaurants and brew pubs would continue to be allowed as a primary use in all commercial zones and in most industrial zones, but would not be allowed to exceed the size limit in industrial zones, unless developed accessory to a beverage manufacturer. State law requirements for alcoholic beverage licensing will continue to apply to all establishments serving alcohol. The amendment is consistent with adopted General Plan policies in the Economic Prosperity Element in support of base sector industrial uses and a diversified local economy.

Following is the proposed amendment to Section 131.0623(b) in strikeout-underline format:

§131.0623 Additional Use Regulations of Industrial Zones

[Intro statement through subsection (a) no change in text.]

- (b) Eating and drinking establishments are permitted subject to the following:
 - (1) Individual establishments are limited to 3,000 square feet of *gross floor area*, except where provided in accordance with Section 131.0623(i);
 - (2) No live entertainment is permitted on the *premises*; and
 - (3) No drive-through services are permitted.
- (c) through (g) [No change.]
- (h) Convenience stores and eating and drinking establishments are permitted subject to the following:
 - (1) An individual establishment shall not exceed 1,000 square feet of *gross floor area*, except where provided in accordance with Section 131.0623(i); and
 - (2) Drive-in and drive-through facilities are not permitted.
- (i) Industrial development greater than 12,000 square feet of gross floor area that is primarily engaged in the manufacturing of malt beverages or distilled spirits in sealed cans, bottles, or kegs, may include an eating and drinking establishment as an accessory use, subject to applicable state and local regulations, if the eating and drinking establishment does not exceed 25 percent of the gross floor area of the structures on the premises.

Conclusion:

The proposed amendment is an important regulatory reform measure that will help support the growth of this base sector manufacturing industry and contribute towards economic growth within the City. Staff recommends approval of the proposed ordinance.

Respectfully submitted,



Kelly G. Broughton
Director,
Development Services Department



Amanda Lee
Senior Planner, Land Development Code
Development Services Department